Gamuda (GAM MK)

2QFY26: Closer To Reality

BUY (Maintained)	
Share Price	RM4.13
Target Price	RM5.25
Upside	27.12%

Highlights

- **Results were below expectations (38% of our and consensus' estimates).** Gamuda charted weaker-than-expected earnings growth of 11% yoy in 1HFY26, but we anticipate 2HFY26 earnings to come in stronger.
- **Maintain BUY with an unchanged target price of RM5.25,** pegged to FY27 valuations. We cut our FY26 earnings forecast by 8% to reflect slower-than-expected overseas' project progress and property sales.

2QFY26 Results

	2QFY26	qoq chg	yoy chg	1HFY26	yoy chg
Year to 31 Jul (RMm)	(RMm)	(%)	(%)	(RMm)	(%)
Revenue	3,840.9	0.0	(1.6)	8,140.6	1.3
Engineering & Construction	2,998.0	(1.8)	2.8	6,051.5	0.9
Property Dev & Club Operations	1,302.7	65.7	32.1	2,089.1	2.4
EBIT	362.6	12.9	35.3	683.8	19.0
Engineering & Construction	218.6	2.2	37.9	432.4	32.0
Property Dev & Club Operations	144.0	34.1	31.5	251.4	1.7
PBT	294.7	4.4	8.8	577.0	8.9
PATAMI	229.5	6.7	4.9	444.6	4.8
Core PATAMI	234.6	13.2	11.2	441.8	7.5
Margin (%)					
EBIT - Construction	7.3	0.3	1.9	7.1	1.7
EBIT - Prop Dev	11.1	-2.6	0.0	12.0	(0.1)
PBT	7.7	0.3	0.7	7.1	0.5
Core PATAMI	6.1	0.7	0.7	5.4	0.3

Source: Gamuda, UOB Kay Hian

Analysis

- **Results below expectations despite resilient yoy growth.** Gamuda reported a stronger 2QFY26 core net profit of RM235m (+13% qoq, 11% yoy) on a revenue of RM3.8b (flat qoq, -2% yoy). Nevertheless, 1HFY26 earnings came in at only 38% of our and consensus' estimates due to slower-than-expected ramp-up of both domestic and overseas construction projects. Moving into 2HFY26, we expect better earnings delivery from higher progress billings for construction projects and better contributions from Vietnam quick turnaround projects (QTPs).

Key Financials

Year to 31 Jul (RMm)	2024	2025	2026F	2027F	2028F
Net turnover	13,346.7	15,970.2	17,300.8	21,411.5	27,096.6
EBITDA	1,107.8	1,536.0	1,723.9	2,147.1	2,631.1
Operating profit	945.2	1,337.2	1,530.8	1,954.7	2,433.7
Net profit (rep./act.)	912.1	1,003.2	1,047.0	1,363.5	1,704.4
Net profit (adj.)	884.1	981.4	1,047.0	1,363.5	1,704.4
EPS	31.9	17.7	18.9	23.0	28.7
PE (x)	13.3	24.0	22.5	18.5	14.8
P/B (x)	1.0	2.0	1.9	2.0	1.9
EV/EBITDA (x)	12.8	10.3	9.2	7.9	6.9
Dividend yield (%)	3.8	2.4	2.8	3.5	4.7
Net margin (%)	6.8	6.3	6.0	6.4	6.3
Net debt/(cash) to equity(%)	45.8	57.2	55.4	61.4	66.6
Interest cover (x)	6.4	8.6	7.0	10.0	10.9
ROE (%)	9.4	10.0	10.2	13.0	15.9
Consensus net profit	n.a	n.a	1,188.7	1,514.9	1,959.5
UOBKH/Consensus (x)	n.a	n.a	0.9	0.9	0.9

Source: Gamuda Berhad, Bloomberg, UOB Kay Hian

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Stock Data

GICS sector	Industrials
Bloomberg ticker:	GAM MK
Shares issued (m):	5,929.4
Market cap (RM$m):	24,488.5
Market cap (US$m):	6,201.5
3-mth avg daily t'over (US$m):	24.4

Price Performance (%)

52-week high/low				RM5.7/RM3.6
1mth	3mth	6mth	1yr	YTD
(0.5)	(19.8)	(25.7)	0.7	(17.1)

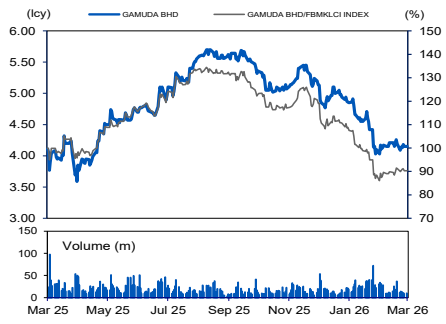
Major Shareholders %

Employees Provident Fund Board	18.98
Vanguard Group	3.78
Generasi Setia M Sdn Bhd	3.68

Balance Sheet Metrics %

FY26 NAV/Share (RM)	2.2
FY26 Net Debt/Share (RM)	1.2

Price Chart



Source: Bloomberg

Company Description

Gamuda is a civil engineering construction company with exposure to property development and water concessions.

- **Construction segment: Overseas contract dragged top-line, but improving margins and domestic contracts lifted earnings.** In 1HFY26, the construction and engineering division charted an EBIT of RM432m (+32% yoy) despite flattish revenue of RM6.1b (+1% yoy). The flattish top-line performance was driven by better progress billings from domestic projects, offsetting slower overseas contribution (>80% construction at early stages and a temporary gap from the Sydney Metro West-Western Tunnelling Package which is nearing completion). Notably, EBIT margin improved to 7.1ppt (+1.7ppt yoy) as domestic projects which command higher profitability margin made up 41% of construction revenue (1HFY25:32%).
- **Property segment: Weaker sequentially on lower Malaysia sales and absence of lumpy UK project.** In 1HFY26, Gamuda's property segment charted revenue of RM2.2b (+3% yoy) and net profit of RM144m (-1% yoy). The modest top-line growth was mainly lifted by Vietnam QTPs, offsetting moderating Malaysia sales and the absence of last year's lumpy earnings from the UK West Hampstead project. 1HFY26 property sales hit 29% of FY26's RM5.5b target, with unbilled sales standing at RM8b. Management expects Vietnam QTP contributions to significantly improve over the rest of FY26.
- **Phenomenal orderbook replenishments still levelling expectations.** Gamuda secured about RM10b-11b worth of contracts in FY26 thus far, lifting outstanding orderbook to a record-high of RM43.8b. Assuming a RM3b-4b quarterly orderbook burn rate, Gamuda has to secure at least RM16b-20b to meet management's orderbook guidance of RM50b-55b by end-26, which will likely be fulfilled by several tender outcomes that are pending finalisation.
- **Our 2026 orderbook replenishment assumptions of RM20b-25b are likely achievable.** Key projects that we anticipate include: a) Penang-Perak Water Infrastructure (c.RM4b), b) Negeri Sembilan DCs (c.RM2b-3b each; potentially 2), c) Northland Corridor highway in New Zealand (c.A$4b tender), d) Sunshine Coast Railway in Brisbane (c.A$1-1.5b), e) Marinus Link project (>A$1b; joint venture between DTI and Samsung C&T), and f) drawdown from Taiwan's Xizhi-Donghu MRT (c.NT$60b/RM8b). Locally, Gamuda may also secure the tunnelling packages for MRT3 (lowest bidder for CMC 303 tunnelling before a re-tender) following the completion of landbank acquisition by 4Q26.
- **Gamuda Land on track for moderate growth, mainly led by Vietnam QTPs.** For the property segment, we forecast a new sales target of RM4.5b in FY26 (+13% yoy), largely augmented by better contributions from local launches and Vietnam's QTPs. Vietnam projects such as Springville, Eaton Park, Artisan Park, Elysian, Gamuda City Hai Phon, and others are expected to contribute RM3.1b in sales in FY26 (57% of GL's FY26 sales). Meanwhile, Malaysia projects shall continue to deliver stable earnings stream.

Valuation/Recommendation

- **Maintain BUY with an unchanged SOTP-based target price of RM5.25,** implying 22x FY27F PE (+1.5SD above mean).

Earnings Revision/Risk

- **We reduced our FY26 earnings forecasts by 8%** to factor in slower progress billing assumptions for several large-scale infrastructure projects which were only secured in FY26.

Orderbook as of 2QFY26

Projects	Value RMb	Progress %
Malaysia:		
Penang Mutiara Line (60% share)	5.6	11
Silicon Island Phase 1	4.3	18
Rasau WTP Phase 1	0.9	54
Data Center Projects	2.6	37
Upper Padas Hydro Dam (75% share)	2.1	15
Enabling work for DC campus	0.8	23
Sarawak Coastal Highway (65% share)	0.7	2
Australia:		
SMW stations	7.3	0
SMW-WTP	0.2	98
Richman Road (100% share)	0.5	0
Coffs Harbour Bypass (50% share)	0.6	73
M1 Motorway (40% share)	0.1	90
Sydney Water (50% share)	0.2	0
DTI projects	6.8	64
Taiwan:		
Tao Yuan underground (60% share)	0.9	21
Kaoshiung MRT YC01 (88% share)	2.8	4
Xizhi Donghu MRT (75% share)	2.6	16
Marine Structure (70% share)	2.5	0
Others	0.4	68
Singapore:		
Defu station (60% share)	0.4	59
West Coast Station	1.5	17
Total Orderbook	43.8	

Source: Gamuda, UOB Kay Hian

Segmental Forecasts

Revenue (RMb)	FY26F	FY27F	FY28F
Engineering & Construction	13.0	15.6	18.9
Property Dev & Club	4.2	5.7	8.1
Water Concession	0.1	0.1	0.1
Total	17.30	21.41	27.10
EBIT (RMb)			
Engineering & Construction	0.93	1.20	1.47
Property Dev & Club	0.52	0.67	0.88
Water Concession	0.08	0.08	0.08
Total	1.53	1.95	2.43

Source: Gamuda, UOB Kay Hian

SOTP Valuations

	RMm	Remarks
Construction	25,578	25x FY27 PE
Property	10,645	10% discount to RNAV
Water concession	1,750	
Less Net Debt	(6,870)	
Total SOTP value	31,103	
Diluted no. of shares (m)	5,930	
Target Price (RM)	5.25	

Source: Gamuda, UOB Kay Hian

Environmental, Social, Governance (ESG) Updates

Environmental
- Commits to reducing greenhouse gas emission intensity by 30%/45% in 2025/30.

Social
- Well-diversified workforce in terms of gender: female (43%) and male (57%).

Governance
- Independent directors make up 57% of its board.

Source: Gamuda, UOB Kay Hian

Profit & Loss

Year to 31 Jul (RMm)	2025	2026F	2027F	2028F
Net turnover	15,970	17,301	21,411	27,097
EBITDA	1,536	1,724	2,147	2,631
Deprec. & amort.	199	193	192	197
EBIT	1,337	1,531	1,955	2,434
Associate contributions	145	83	86	89
Net interest income/(expense)	(179)	(247)	(216)	(242)
Pre-tax profit	1,304	1,366	1,825	2,281
Tax	(257)	(273)	(401)	(502)
Minorities	(44)	(46)	(60)	(75)
Net profit	1,003	1,047	1,364	1,704
Net profit (adj.)	981	1,047	1,364	1,704

Balance Sheet

Year to 31 Jul (RMm)	2025	2026F	2027F	2028F
Fixed assets	6,441	7,990	9,038	10,085
Other LT assets	4,873	4,943	5,012	5,081
Cash/ST investment	3,260	4,037	3,956	3,957
Other current assets	16,549	16,241	18,747	22,137
Total assets	31,123	33,212	36,752	41,259
ST debt	2,493	2,178	2,369	2,573
Other current liabilities	8,212	9,056	11,058	13,883
LT debt	7,637	8,714	9,476	10,290
Other LT liabilities	628	681	733	805
Shareholders' equity	12,000	12,383	12,857	13,375
Minority interest	153	199	259	333
Total liabilities & equity	31,123	33,212	36,752	41,259

Cash Flow

Year to 31 Jul (RMm)	2025	2026F	2027F	2028F
Operating	(81)	2,410	1,078	1,394
Pre-tax profit	1,304	1,366	1,825	2,281
Tax	(257)	(273)	(401)	(502)
Deprec. & amort.	159	193	192	197
Associates	(145)	(83)	(86)	(89)
Working capital changes	(1,141)	1,206	(452)	(494)
Other operating cashflows	0	0	0	0
Investing	(1,255)	(1,721)	(1,223)	(1,225)
Capex (growth)	(1,291)	(221)	(223)	(225)
Proceeds from sale of assets	20	0	0	0
Others	16	(1,500)	(1,000)	(1,000)
Financing	1,838	88	64	(168)
Dividend payments	(154)	(664)	(890)	(1,186)
Issue of shares	195	0	0	0
Proceeds from borrowings	2,337	752	953	1,018
Others/interest paid	(540)	0	0	0
Net cash inflow (outflow)	502	777	(81)	1
Beginning cash & cash equivalent	2,596	3,260	4,037	3,956
Changes due to forex impact	(85)	0	0	0
Ending cash & cash equivalent	3,013	4,037	3,956	3,957

Key Metrics

Year to 31 Jul (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	9.6	10.0	10.0	9.7
Pre-tax margin	8.2	7.9	8.5	8.4
Net margin	6.3	6.0	6.4	6.3
ROA	4.2	4.2	5.1	5.8
ROE	10.0	10.2	13.0	15.9
Growth				
Turnover	19.7	8.3	23.8	26.6
EBITDA	38.6	12.2	24.5	22.5
Pre-tax profit	18.8	4.8	33.6	24.9
Net profit	10.0	4.4	30.3	24.9
Net profit (adj.)	11.0	6.7	30.2	25.0
EPS	(44.5)	6.8	21.7	24.8
Leverage				
Debt to total capital	83.4	86.6	90.3	93.8
Debt to equity	84.4	88.0	92.1	96.2
Net debt/(cash) to equity	57.2	55.4	61.4	66.6
Interest cover	8.6	7.0	10.0	10.9

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